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EEB/IFD/ODF FOR HARBAUGH, TREASURY/DO/IA/IDP FOR HOLLOWAY

E.O. 12958: DECL: 04/29/2018

TAGS: [EAID](#) [PREL](#) [TU](#)

SUBJECT: MORE FROM TURKEY ON BECOMING AN EBRD RECIPIENT

REF: A. A) STATE 41999

[1](#)B. B) 4/18/08 MCCORMICK-SIMSEK CALL

[1](#)C. C) ANKARA 590

[1](#)D. C) ANKARA 131

Classified By: Acting Economic Counselor Courtney Turner for 1.4(b and d)

[1](#)1. (C) Summary: Although not an action addressee on reftel A, we wanted to provide the latest GOT position on Turkey becoming an EBRD recipient. On April 28, we met with Treasury Director General for International Affairs Memduh Akcay. While in Washington April 11-13 for the World Bank/IMF meeting, Akcay, along with his boss Treasury Minister Mehmet Simsek, has been in discussion with the USG about Turkey's desire to become an EBRD recipient as soon as possible. Akcay does not think a six-month strategic review would gain much but would delay possible EBRD financing. Giving the example of Mongolia, Akcay stressed that the GOT does not want to have an accelerated strategic review and then wait three years for all EBRD stockholders to modify the EBRD Articles of Agreement in their respective parliaments. End Summary.

[1](#)2. (SBU) In Washington in April and later in reftel B call, U.S. Treasury U/S McCormick and GOT Treasury Minister Simsek discussed the U.S. position on Turkey becoming an EBRD recipient. Akcay says one question remained open from the call and asked for clarification. He said that Simsek asked McCormick whether, in the opinion of the USG, Turkey's change in status would require amending the Articles of Agreement. He said U/S McCormick agreed to check and get back to Simsek. Akcay said Simsek would still like to find out what U/S McCormick has learned on this issue. Note: From reftel A, we point out Mehmet Simsek is Treasury Minister, and no one at the Turkish Finance Ministry is involved in the EBRD issue. End note.

[1](#)3. (SBU) Akcay noted that Mongolia was a unique case, because it was a "new" addition to the EBRD, coming in fresh and not as a current stockholder. He does not think the same level of scrutiny and action would be required for Turkey to become a recipient. He thinks the EBRD may want to expand its lending to other countries in addition to Turkey. He does not want Turkey to risk being lumped in with a group of countries that would have to go to the additional step, and delay, of modifying the Articles of Agreement.

[1](#)4. (SBU) Akcay outlined the GOT's renewed interest in helping small- and medium-sized enterprises (SMEs) to get financing and thinks the EBRD is an excellent source for at least part of that financing. He noted the EBRD's ability to take an equity position in a company, which involves putting an EBRD expert on the company's board to help the company

professionalize its operations. He said EBRD's presence on the board provides "international endorsement" of the company in question and increases its value. He said he thinks EBRD funding in Turkey would be most useful for SME equity financing, rather than financing municipal entities.

15. (C) We made reftel A points with Akcay and emphasized that the USG sees a strategic review as a useful exercise, especially with a change in the EBRD presidency. We noted the importance of U.S.-Turkish relations and said the USG does not want to be in a position to oppose Turkey's request because it was made without due deliberation. We asked Akcay why this matter was urgent now, and he did not have a good answer. He said the EBRD asked Turkey to become a recipient country (not the other way around), and Lemierre was anxious to make this change before the end of his tenure. The GOT rush for a decision seems like a fire drill without a fire. Akcay is concerned about the worsening global economic climate and the increasing cost of financing to all Turkish companies. He sees EBRD financing as a way to relieve some of the pressure being felt by Turkish firms. Akcay also thinks the EBRD's presence in Turkey would likely cause the IFC to lower its rates.

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